

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
TRANSCRIPT OF PROCEEDINGS
OF THE
NATIONAL PETROLEUM COUNCIL MEETING

Interior Building
Washington, D. C.
Tuesday, October 25, 1949

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EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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Other

Pages 40-45 (Discussion - Japanese and German Requirements)
" 47-59 (W.J. Levy Address - "Role of American Oil in the World")
" 59-68 (Discussion with Mr. Levy on Foreign Oil Situation)
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

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TRANSCRIPT OF PROCEEDINGS

OF THE
NATIONAL PETROLEUM COUNCIL MEETING

Room 5164,
Interior Building,
Washington, D. C.
Tuesday, October 25, 1949.

The meeting convened at 10:05 a.m., Walter S. Hallanan,
presiding.

TABLE OF CONTENTS

	P a g e
Roll Call	3
Approval of Minutes of July 28 Meeting	8
Report of the Secretary-Treasurer	9
Report of Committee on Petroleum Industry Manpower	10
Report of Committee on Crude Petroleum Productive Capacity.	12
Report of Agenda Committee.	13
Report of Committee on Petroleum Imports.	26
Statement of Colonel L. E. Cotulla, Armed Services Petroleum Purchasing Agency.	38
Address "The Role of American Oil in the World, by Mr. Walter Levy, Economic Consultant	46
Statement of Honorable J. A. Krug	72

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P R O C E E D I N G S

CHAIRMAN HALLANAN: The Council will please come to order. The Secretary will call the roll.

MR. BROWN: Mr. Adams? Mr. Ashton?

MR. ASHTON: Here.

MR. BROWN: Mr. Baker?

MR. BAKER: Here.

MR. BROWN: Mr. Max W. Ball?

MR. BALL: Here.

MR. BROWN: Mr. Munger Ball? Mr. Barton? Mr. Bay?
Mr. Birmingham? Mr. Blaustein?

MR. BLAUSTEIN: Here.

MR. BROWN: Mr. Blazer? Mr. Blodget?

MR. BLODGET: Here.

MR. BROWN: Mr. Boyd? Mr. Brazell?

MR. BRAZELL: Here.

MR. BROWN: Mr. Bridwell? Mr. Sehnann is here for Mr.
Bridwell.

MR. Bruce Brown?

MR. BRUCE BROWN: Here.

MR. BROWN: Mr. Russell Brown?

MR. RUSSELL BROWN: Here.

MR. BROWN: Mr. Burns?

CHAIRMAN HALLANAN: Mr. Burns, by proxy of Mr. Alex
Fraser. Mr. Fraser?

MR. FRASER: Here.

MR. BROWN: Mr. Churchill?

CHAIRMAN HALLANAN: Will Mr. Warren C. Churchill please rise?

Gentlemen, I desire to present the new member of the Council, the new President of the American Association of Oil Well Drilling Contractors of Dallas, Texas. We welcome you here, Mr. Churchill.

(Applause)

MR. BROWN: Mr. Cowden?

MR. COWDEN: Here.

MR. BROWN: Mr. Crocker? Mr. DeGolyer? Mr. Donnell?

MR. DONNELL: Here.

MR. BROWN: Mr. Dow?

MR. DOW: Here.

MR. BROWN: Mr. Drake, Mr. Swensrud.

Mr. Dressler? Mr. Duke?

MR. DUKE: Here.

MR. BROWN: Mr. Dunnigan? Mr. Faber? Mr. Follis?

MR. FOLLIS: Here.

MR. BROWN: B. C. Graves?

MR. B. C. GRAVES: Here.

MR. BROWN: Mr. B. I. Graves?

MR. B. I. GRAVES: Here.

MR. BROWN: Mr. Gwaltney?

MR. GWALTNEY: Here.

MR. BROWN: Mr. Hallanan?

CHAIRMAN HALLANAN: Here.

MR. BROWN: Mr. Hamon? Mr. Hardey?

MR. HARDEY: Here.

MR. BROWN: Mr. Hill?

CHAIRMAN HALLANAN: Gentlemen, I think you are all familiar with the fact that Mr. George Hill was stricken on the train on his way to the Council meeting. We talked with Mrs. Hill this morning, and she said that he had a very good night. She was very well pleased, from the assurance that the doctors had given her. Her son had arrived, and was with her; and she felt that George was in good shape; and that within a few days he would be able to return to his home. I am very glad to be able to convey that news to you.

MR. BROWN: Mr. Hilts?

MR. HILTS: Here.

MR. BROWN: Mr. Holliday?

MR. FOSTER: Foster substituting for Mr. Holliday.

MR. BROWN: Mr. Holman?

MR. HOLMAN: Here.

MR. BROWN: Mr. Hovey?

CHAIRMAN HALLANAN: Mr. Hovey? Not here.

MR. BROWN: Mr. Hulcy? Mr. Hunt? Mr. Jacobsen?

MR. JACOBSEN: Here.

MR. BROWN: Mr. Jennings?

MR. JENNINGS: Here.

MR. BROWN: Mr. Johnson? Mr. Charles Jones? Mr. Paul Jones?

MR. PAUL JONES: Here.

CHAIRMAN HALLANAN: Mr. Jones, will you please rise?

Gentlemen, I desire to present a new member of the Council, Mr. J. Paul Jones, of Bedford, Pennsylvania, the new President of the National Stripper Well Association.

(Applause)

MR. BROWN: Mr. W. Alton Jones?

MR. W. ALTON JONES: Here.

MR. BROWN: Mr. Keck? Mr. Lerch? Mr. Lovejoy?

MR. LOVEJOY: Here.

MR. BROWN: Mr. Maguire? Mr. Majewski?

MR. MAJEWSKI: Here.

MR. BROWN: Mr. Marshall? Mr. Mattei? Mr. McCollum?

MR. COSGROVE: Mr. Cosgrove substituting for Mr. McCollum.

MR. BROWN: Mr. McGowen? Mr. Meece?

MR. MEECE: Here.

MR. BROWN: Mr. Mosher? Mr. Nielson?

MR. NIELSON: Here.

MR. BROWN: Mr. Niness?

MR. NINESS: Here.

MR. BROWN: Mr. Nolan?

MR. NOLAN: Here.

MR. BROWN: Mr. Parten?

MR. PARTEN: Here.

MR. BROWN: Mr. Peck? Mr. Pew? Mr. Pogue?

MR. POGUE: Here.

MR. BROWN: Mr. Porter?

MR. PORTER: Here.

MR. BROWN: Mr. Pyles? Mr. Reitz?

MR. REITZ: Here.

MR. BROWN: Mr. Robineau?

MR. ROBINEAU: Here.

MR. BROWN: Mr. Rodgers?

CHAIRMAN HALLANAN: Mr. Rodgers is represented by Mr.

(Garrio, Vice President of the Texas Company.

MR. BROWN: Mr. Rowan? Mr. Shannon? Mr. Sinclair?

CHAIRMAN HALLANAN: Mr. Sinclair is represented by proxy
by Mr. Al Watts.

MR. BROWN: Mr. Skelly?

MR. SKELLY: Here.

MR. BROWN: Mr. Streeter?

MR. STREETER: Here.

MR. BROWN: Mr. Taylor?

MR. TAYLOR: Here.

MR. BROWN: Mr. Thatcher?

MR. THATCHER: Here.

MR. BROWN: Mr. Tompson? Mr. Vandever? Mr. Warren,
Mr. Guy I. Warren?

MR. GUY I. WARREN: Here.

MR. BROWN: Mr. J. Ed. Warren?

MR. J. ED. WARREN: Here.

CHAIRMAN HALLANAN: Ed Warren, will you please rise?

We desire to welcome back an old member, Mr. Ed Warren;
the new President of the Independent Petroleum Association of
America.

(Applause)

MR. BROWN: Mr. Weber? Mr. Wescoat?

MR. WESCOAT: Here.

MR. BROWN: Mr. White? Mr. Williams? Mr. Wilson?

MR. WILSON: Here.

MR. BROWN: Mr. Zehrung? Mr. Zoller?

MR. ZOLLER: Here.

MR. BROWN: Mr. Zook?

We have a quorum, Mr. Chairman.

CHAIRMAN HALLANAN: A quorum is present, gentlemen.

You have received copies of the minutes of the last meet-
ing of the Council, held on July 28. Are there any comments
or corrections? If not, a motion to approve is in order.

(Whereupon, a motion was duly made, seconded, and
carried that the minutes of the previous meeting be
approved.)

CHAIRMAN HALLANAN: The minutes are approved. The report of the Secretary-Treasurer.

MR. BROWN: Since the first of the year, we have received in contributions and other items -- other items being principally the receipts from the sale of the Oil Policy booklets -- total assets of \$75,239. The total disbursements were \$51,748. Of that amount, \$11,941 is for special projects, such as the National Oil Policy booklet, and the manpower survey which is still under way. That left a balance of our receipts, totalling \$23,490.

We carried over from the first of the year \$30,273; and have a total amount to account for at this time of \$53,764. Of that amount, we have transferred to a reserve fund, which is represented by savings bonds, \$37,000, leaving cash on hand of \$16,746.

CHAIRMAN HALLANAN: You have heard the report, gentlemen. Any comment? If not, a motion is in order.

(Whereupon, a motion was duly made, seconded, and carried that the report be received and filed.)

CHAIRMAN HALLANAN: It has been moved and carried that the report be received and filed. So ordered.

Gentlemen, by reason of the termination of the presidency of the Independent Petroleum Association of America of Mr. Fred Shield, a vacancy has occurred on the Agenda Committee. Subject to the approval of the Council, the Chairman has

designated Major Hardey to fill the vacancy caused by the termination of service of Mr. Fred Shield, to fill out the unexpired term as a member of the Agenda Committee. I would like at this time to ask the Council's approval of that appointment.

(Whereupon, a motion was duly made, seconded, and carried that the appointment be approved.)

CHAIRMAN HALLANAN: So ordered.

We come not to the reports of the special committees. Mr. Vandever, may we have some report from you as to the progress of the Petroleum Industry Manpower Committee?

MR. BROWN: I don't think he is here.

CHAIRMAN HALLANAN: Well, you present it.

MR. BROWN: In Mr. Vandever's absence, I will attempt to give you an idea of what has been happening.

Just about the time of our last meeting, we were in the process of sending out to the various companies and individuals in the industry, questionnaires with regard to their employees, seeking the number of employees, in certain classifications.

Twenty-five thousand of those questionnaires went out. We had some excellent response in the first few weeks; and then it died out; and we have recently been making a follow-up on that; and responses are again coming in.

Up to the present time, I don't feel that the survey is

completed or sufficiently representative to be useful. However, we have tabulated returns from 3,256 companies, representing some 369,000 employees.

It might be interesting to know that of that number, some 8,000 are in the Armed Forces Reserves, which was a very important item that the National Security Resources Board is concerned with.

I would urge, if you could, that you help us get these in. They are again in circulation; and the matter is alive once more. I hope you will help us with people of your acquaintance in the industry in getting the returns in. There are some members of our Council whose returns are not yet in. I hope they will look into the matter.

c3 CHAIRMAN HALLANAN: Gentlemen, that constitutes a report of progress being made by this committee. I do want to re-emphasize what Mr. Brown has referred to, that there are a number of companies whose representatives are members of the Council, who have not yet made response to this request for manpower information; and I hope that you will take steps to see that that information is forthcoming as promptly as possible.

In the absence of Mr. McCollum, I will call upon Mr. Hines Baker at this time to present the progress report of the special committee authorized by the Council to look into the matter of Petroleum Reserve Productive Capacity.

Mr. Baker.

MR. BAKER: Mr. Chairman, the Committee on Crude Petroleum Productive Capacity held its first meeting at Tulsa on August 19, at which it was concluded to set up two sub-committees; one, a working sub-committee to examine the data, conduct the studies, and write a report; and two, a legal sub-committee, which would advise with the working sub-committee, and review the report from a legal standpoint.

The working sub-committee had its first meeting on September 29, at Houston, with several members of the legal committee present, and developed an outline in detail of the procedure that would be followed in the preparation of the report. It submitted its procedure to the general committee, to Mr. McCollum, and the members of the general committee.

Mr. McCollum made a canvass of all members of the general committee; and the outline, as submitted by the working committee, has been approved.

Now, on the basis of that outline, the working committee is now engaged in its studies, and in the development of the material for filling out this outline; and will be prepared to make its report sufficiently ahead of the next meeting for the general committee to review its report.

I would presume that by the next meeting, the general committee may be ready to make its report, Mr. Chairman.

CHAIRMAN HALLANAN: Any questions, gentlemen, in

connection with this committee's activities? This constitutes a progress report from this Special Committee on Petroleum Reserve Productive Capacity.

Now, Mr. Baker, you are the acting chairman of the Agenda Committee, in the absence of Mr. George Hill; and I would suggest that at this time you present the report of the Agenda Committee.

MR. BAKER: "To the members of the National Petroleum Council:

" On September 22, 1949, the Chairman of the National Petroleum Council transmitted to the Agenda Committee, a copy of a letter dated September 16, 1949 from Carroll D. Fentress, Acting Director of the Oil and Gas Division of the Department of the Interior (copy of which is attached hereto and made a part of this report), referring to the Council's report of July 28, 1948 with regard to a study of the liquefied petroleum gas situation, including a study of liquefied petroleum gas production and transportation facilities. In his letter the Acting Director requested that the National Petroleum Council restudy this important matter and submit such report and recommendations thereto as may be deemed appropriate.

" On October 19, 1949, the Chairman of the National Petroleum Council transmitted to the Agenda Committee, copy of a letter dated October 18, 1949 from the Honorable J. A. Krug, Secretary of the Interior, together with an attachment,

H. R. 6047, 'a bill to establish a Petroleum Policy Council for the purpose of developing, clarifying, and coordinating national policies relating to petroleum and for other purposes.' Secretary Krug requested the Council to establish a committee to study the proposed legislation and to submit such report and recommendations on the subject as may be deemed appropriate.

" At the meeting of the Agenda Committee on October 24, 1949, the Chairman of the National Petroleum Council presented to the Agenda Committee, copy of a letter dated October 20, 1949 from C. Girard Davidson, Acting Secretary of the Interior (copy of which letter is attached hereto and made part of this report) citing certain problems of concern to the Interior Department with respect to oil and gas leasing, and requested that the Council make an appropriate study, report and recommendations with respect to oil and gas leasing by the Federal Government, including possible recommendations to the Congress, with a view to expediting the granting of leases on federal lands and assuring a fair initial return to the Federal Government without undue burden upon applicants in the development of the country's petroleum resources.

The Agenda Committee met at Council headquarters on October 24, 1949 to consider the problems as stated hereinbefore, which were presented (1) by the Acting Director of the Oil and Gas Division; (2) by the Secretary of the Interior;

and (3) by the Acting Secretary of the Interior.

"Problem 1

"The Agenda Committee unanimously recommends the reactivation of the National Petroleum Council's Committee on Liquefied Petroleum Gas and that that committee be requested to make a factual study of the liquefied petroleum gas situation, including a study of liquefied petroleum gas production and transportation facilities, and submit to the Council such report and recommendations as may be deemed appropriate.

"Problem 2

"The Agenda Committee, with A. Jacobsen and Hines H. Baker dissenting, recommends that the National Petroleum Council comply with the request of the Secretary of the Interior that it appoint a committee to study H.R. 6047 introduced by Representative Oren Harris on August 18, 1949, and to submit to the Council such report and recommendations with respect thereto, as it may deem appropriate."

There is attached to the report of the committee a copy of the Harris Bill. I am not sure that the contents of that bill are generally known to the members of the Council. The distribution has been made to members of the Agenda Committee. Has it been made, Mr. Chairman, to members of the Council?

CHAIRMAN HALLANAN: Yes.

MR. BAKER: " Problem 3. The Agenda Committee unanimously recommends that the National Petroleum Council appoint

a committee to make an appropriate study with respect to the issuance of oil and gas leases by the Federal Government on acquired and public lands under the Federal leasing acts and report thereon with such recommendations as may be deemed appropriate."

MR. JACOBSEN: Mr. Chairman, I would like to make one thing clear for myself. I am quite sure that Hines Baker feels the same way about it. When he and I disagreed yesterday with the action taken by the majority of the Agenda Committee, I don't want it understood I am in favor of damn bill, because I think it is poison. The only difference was one of procedure and strategy and how to handle it. It doesn't mean that I like the bill.

CHAIRMAN HALLANAN: I am certain that we all understand that.

MR. JACOBSEN: Hines, how about you? Don't you want to say the same thing?

MR. BAKER: Let's wait until Barney gets through.

MR. MAJEWSKI: I will state the other side of the case as briefly as Jack did. In rising to move the adoption of the Agenda Committee's report -- which I do move the adoption of -- I want to make this comment: that this was the first time that the Agenda Committee has made a recommendation to the Council that has not been unanimous; and so that no one will misunderstand those who are in favor of recommending a

study of the Oren Harris Bill, the difference is only one of procedure; and I want to make it very clear that it is obvious and will be obvious that if we deny the opportunity to this Council to express its opinion on the Harris Bill -- which I think will be no different from your point of view, Jack -- some people might say we were for it. So I believe it proper, on behalf of the majority of the Agenda Committee making the recommendation, in which our good friends, Jack and Hines dissent, that this is the democratic way of letting the world know that we are resoundingly opposed to the Harris Bill. Otherwise, no one would ever know that we were opposed to it. I move the adoption of the report.

CHAIRMAN HALLANAN: You have heard the motion. Is there a second to the motion?

MR. BAKER: Mr. Chairman, I would like to make this motion -- is, since the discussion is under way. further observation on the. I had not intended to make a comment until the discussion was under way. The basis of my vote on the consideration of this question is that I believe that it isn't good policy for this Council to have under consideration and advise the Secretary of the Interior on these questions that involve an enlargement or expansion of Federal power and authority; and that the Council should confine it to the vice -- at are already within or we will find our

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may be an instrument sometime for enlargement for Federal authority and control over the business; and we had better leave to individual units in the industry this matter of action with reference to specific pieces of legislation; and that this council ought not to undertake to analyze, for the Secretary of the Interior, and register feelings for or against legislation expanding the authority of the Federal Government; but leave that to individual units in the industry for individual action. That is the basis for my view on it. I think we are setting a precedent here that is a little bad.

CHAIRMAN HALLANAN: The Chair recognizes Mr. Marshall.

MR. MARSHALL: As the seconder of Mr. Majewski's motion, and one who voted for the Council's consideration of the Harris Bill, I want to further emphasize that the reason that those of us who supported consideration of the Harris Bill did so gets back to a fundamental agreement between Mr. Baker and Mr. Jacobsen and the rest of us, mainly, that we are very much opposed to anything that points in the general direction of Federal control of the oil industry. We think that that is where this bill points; and we think that the Council ought to take an affirmative and a positive position in relation thereto, rather than merely to bow out and not take a firm and positive position.

I take it that with respect to the fundamental issue as to how we all feel about the bill, we are all in agreement.

MR. HARDEY: Mr. Chairman, as a member of the majority of the Agenda Committee also, I would like to supplement the remarks of Mr. Majewski and Mr. Marshall by saying, in our opinion, the Secretary of the Interior, who is the head of the agency most affected by this bill, is entitled to the advice of this Council, in view of the fact that it is incumbent upon him to make a report to the proper committee of the Congress on his position on this particular bill; and for that reason, we thought it was our duty to advise the Secretary of the Interior on the position of this Council.

CHAIRMAN HALLANAN: Any further remarks?

MR. DUKE: Mr. Chairman, I would only like to ask Hines -- I don't mean to be facetious -- how do you reconcile that view about not advising Cap Krug in connection with the submerged lands thing? Isn't it somewhat the same thing? I am only asking as a puzzled spectator.

MR. BAKER: I don't think the Secretary has called on us for specific recommendations in regard to submerged lands. We adopted a national policy that covered our concept of the whole range of national policy regarding oil and gas; but there has been no submission by the Secretary to us of any particular submerged lands bill, as we have here. This is a submission to the Council for action on an individual piece of legislation.

MR. DUKE: I see the difference.

CHAIRMAN HALLANAN: Major Cosgrove.

MR. COSGROVE: I will try to be brief also. I agree with the views expressed by Mr. Baker. I think the Council should be restricted in making the recommendations. This bill is before a committee of Congress, which is a deliberate body, itself, where every unit in the industry, or every individual will have an opportunity to express its opposition. There is no disagreement on a matter of substance, merely procedure; and I think we are going off on the wrong foot in following the procedure suggested by the committee.

CHAIRMAN HALLANAN: The question is on the adoption of Mr. Majewski's motion.

(Whereupon, the motion was duly voted upon and carried.)

CHAIRMAN HALLANAN: The motion is adopted; and the report of the Agenda Committee is approved.

After consultation with the Chairman of the Appointment Committee, the Chair desires to announce the appointment of two of the committees provided for in this report: First, the committee to deal with the appropriate study with respect to the issuance of oil and gas leases by the Federal Government on acquired and public lands under the Federal Leasing Act. I desire to appoint the following committee:

Mr. J. C. Donnell, Chairman; Mr. A. Jacobsen; R. S. Shannon; A. C. Mattei; R. G. Pollis; Rush M. Blodget;

H. L. Hunt; John M. Lovejoy; W. G. Skelly; L. S. Wescoat;
H. E. Zoller; L. F. McCollum; E. F. Ballard; and E. E. Pyles.

The committee to make a report on the Proposed Petroleum Policy Council, the Chair appoints:

Mr. J. Howard Marshall as Chairman; Mr. Hines Baker;
Major B. A. Hardey; Colonel T. H. Barton; Frank M. Porter;
W. Alton Jones; A. Jacobsen; Reese H. Taylor; B.B. Jennings;
J. Ed. Warren; J. R. Parten; B. L. Majewski; Max W. Ball;
William Keck; Robert E. Wilson; and Sam B. Mosher.

Gentlemen, the next order of business is the report of the Petroleum Imports Committee. Secretary Krug has asked to be present at the time that that report is made. So we have sent for him and hope to have him here before I call on you, Mr. Porter.

In the meantime, the report of this committee will be distributed.

MR. RUSSELL BROWN: Mr. Chairman, do I understand that on Problem 1, it will be the same personnel as the Liquefied Petroleum Gas Committee?

CHAIRMAN HALLANAN: Not exactly the same personnel. Substantially, it will be a reactivation of the same committee.

MR. RUSSELL BROWN: You didn't name them?

CHAIRMAN HALLANAN: I didn't name them, in view of the fact that there will have to be some renaming of some of the committee. We find that.

MR. JACOBSEN: Mr. Chairman, how about this Council sending a telegram to George Hill, wishing him God's speed?

CHAIRMAN HALLANAN: I think that would be very appropriate, Mr. Jacobsen. Do you so move?

MR. JACOBSEN: Yes sir.

CHAIRMAN HALLANAN: Will you prepare it, Mr. Jacobsen?

MR. JACOBSEN: No, you can do it much better than I.

CHAIRMAN HALLANAN: Gentlemen, while we are waiting on the Secretary, I think I might take advantage of the time here to introduce to the Council some of the Government representatives and the representatives of some of the Congressional committees who are sitting with us in this meeting.

First, I desire to present Mr. Stewart French, who is the legal advisor to the Senate Interior and Insular Affairs Committee, the committee of which Senator O'Mahoney is Chairman.

Mr. Stewart French.

(Applause)

From the Commerce Department, I desire to introduce Mr. Mead Stull, of the Fuels Division, of the Office of International Trade.

Mr. Stull.

(Applause)

From the Office of Economic Cooperation Administration, Dr. E. O. Bransky, Acting Chief, Petroleum Branch, of

the Petroleum Industry Division.

(Applause)

From the Federal Bureau of Supply, we have with us one of our great advisors, and a man we are always glad to have, Mr. W. E. Gannon, Assistant to the Chief of the Federal Supply Bureau.

(Applause)

Now, from the House Interstate and Foreign Commerce Committee, we have with us this morning, Mr. Andrew Stevenson, Advisor to that committee. Mr. Stevenson.

(Applause)

From the House Small Business Committee, Mr. Otis H. Ellis, Executive Director of the House Small Business Committee.

Mr. Ellis.

(Applause)

From the Bureau of Land Management, Mr. Marion Clawson, Director of the Bureau of Land Management.

Mr. Clawson.

(Applause)

From the Bureau of Mines, Mr. James Boyd, Director, and Mr. Frederick S. Lott, of the Bureau of Mines.

(Applause)

For the Information Division, Mr. James Kendrick.

(Applause)

Now, from the Oil and Gas Division, Mr. Edward Swanson.

Mr. Swanson.

(Applause)

Mr. John Boice.

(Applause)

Mr. Paul B. Whitney.

(Applause)

These gentlemen are all from the Oil and Gas Division.

Robert J. Finney.

(Applause)

John A. Poulin.

(Applause)

And very efficient Miss Bernice Kirschling.

(Applause)

From the Munitions Board Petroleum Committee, Admiral

B. B. Biggs.

Admiral Biggs.

(Applause)

Colonel W. J. Wooster.

(Applause)

Colonel F. B. L. Meyer.

Colonel Meyer.

(Applause)

Mr. William G. Wrather, a director of the U.S. Geological Survey. Mr. Wrather.

(Applause)

From the National Security Resources Board, Mr. H. DuWayne Kreager, Director and Board Secretariat.

Mr. Kreager.

(Applause)

And Colonel G. H. Vogel, Chief of the Petroleum Division.

(Applause)

Also, we have present this morning Colonel Louis Cotulla, of the Armed Service Purchasing Agency.

Colonel Cotulla.

(Applause)

From the State Department, Mr. David Longanecker, of the Petroleum Division of the State Department.

Mr. Longanecker.

(Applause)

And from the Senate Interior and Insular Affairs Committee, we also have Mr. Arthur Sandusky, the legal advisor to that committee.

(Applause)

And from the Tariff Commission, Mr. Donald Bell, Commodity Specialist of the Tariff Commission. Mr. Bell.

(Applause)

Gentlemen, the Secretary is unfortunately delayed in getting here, but I think he will be here in the course of a short time. We will now revert to the procedure; and I

desire to call upon Mr. Frank Porter, Chairman of the Special Committee on Petroleum Imports.

Mr. Frank Porter.

MR. PORTER: Mr. Chairman, the Committee on Petroleum Imports held its first meeting on August 23, at which time there was appointed a statistical subcommittee to compile and report to the main committee some facts and figures they thought might be pertinent to the subject.

Now, this report was finalized in October 12, and was then transmitted to our members of the Petroleum Import Committee, together with a letter in which I tried to summarize, to some extent, what the report contained.

Then, on October 23 and 24, I called the committee together again; and rather than try to direct the committee with an agenda, I chose to throw the meeting open to obtain a frank and full discussion among the members of the committee; and see what thinking we could develop as to each individual, and perhaps each segment of the industry.

The meeting was very well attended, and everybody had something to say about it.

Now, I might say at this time that no basic conclusions were reached by the committee; and we have in mind at this time presenting what could be termed an interim report, consisting of the report of the Statistical Subcommittee, with a covering letter, a statement which I made at the opening

of the meeting on last Sunday; and I have also prepared for you, Mr. Chairman, a letter of transmittal of this information; and I think that all members here now have a complete file on this.

With your permission, I would like to read this letter dated yesterday:

"On August 23, 1949, the Committee on Petroleum Imports met in Washington, D.C. and appointed a Statistical Subcommittee to compile and report to the Committee such petroleum statistics as it deemed necessary for the Committee's use in carrying out its assignment to make "a factual study of the matter of petroleum imports, including the effect on the domestic industry, domestic economy and national security." On October 23rd and 24th the Committee convened in Washington, D.C., for its second meeting to study the Statistical Subcommittee's report, discuss its economic implications as related to the Committee's assignment, and consider the nature of the report to be made.

In view of the many factors bearing upon the matters being considered by the Committee, it was the unanimous view of the Committee members that additional time would be required for further study, discussion and preparation of a final report.

We are, therefore, herewith enclosing copy of the

Statistical Subcommittee's report, together with copy of letter dated October 12th to the members of the Petroleum Imports Committee, briefly summarizing, in general terms, the findings of the Subcommittee. Also attached is copy of statement of the Chairman of the Committee, dated October 23, 1949. The purpose of this interim report is to advise the Council of the progress of the Committee and to make available to the members of the Council the basic information on which the Committee's considerations have been predicated.

The Committee authorized that a Drafting Subcommittee be appointed to prepare a proposed report. The personnel of such subcommittee will be notified of their appointment within the next few days and we are hopeful that a report can be prepared and approved by the Committee for submission to the Council at its January meeting.

If any member of the Council, after study of the information herewith submitted, desires to make suggestions with respect to the form or subject matter to be contained in the report, it will be welcomed. Such suggestions, however, should be submitted in writing, as promptly as possible, to me as Chairman of the Committee on Petroleum Imports, c/o National Petroleum Council, Washington, D. C.

Respectfully submitted."

If you like, Mr. Chairman, I will read the letter of October 12th.

CHAIRMAN HALLANAN: I think that would be desirable, Mr. Porter, because that analyzes, to a considerable extent, the Statistical Committee's report.

MR. PORTER: "I herewith enclose a copy of the report of the Statistical Subcommittee on Petroleum Imports for your study and consideration in connection with a meeting of your Committee that has been called for October 23, 1949, in Washington, D. C.

The Statistical Subcommittee to the National Petroleum Council Committee on Petroleum Imports was appointed to develop basic statistics relative to the import of crude petroleum and petroleum products as they relate to the petroleum industry, and the domestic economy and the national security. In compliance with this, the Subcommittee investigated various sources of information relative to imports and exports of crude petroleum and petroleum products and has summarized its factual observations on such data in the attached report. There were several cases where exact statistics were not available. The Statistical Subcommittee, in such cases, agreed upon reasonable approximations. A complete explanation of sources and bases for approximations is

contained in the appendix to the report.

The following summary has been especially prepared for the main Committee to aid in your interpretation of the Subcommittee report. My comments do not necessarily represent a summation of the views of the members of the Subcommittee, although it is based on the written words of the Subcommittee.

Petroleum imports as reported by the Bureau of Mines and Department of Commerce include all petroleum entering the United States except for foreign oil in transit to another country, as in the case of the Portland-Montreal pipeline. Residual fuel brought in in bond for bunkering vessels engaged in foreign trade, bonded imports of crude oil for processing and export of resulting products, and imports by the military in addition to the normal commercial imports are all included in the reported data. A parallel structure on petroleum products moving out of this country does not exist in the reported data by the Bureau of Mines. Commercial transactions are reported by the Bureau of Mines as an 'export'. Military off-shore requirements are included as a part of domestic demand by the Bureau of Mines. Fuel used in bunkering ships engaged in foreign trade is likewise classified as a portion of domestic demand. The results of a comparison of imports as reported with movements of petroleum out of

this country depend to a large extent upon the definition of exports. The Subcommittee was not charged with the responsibility of defining exports. It is a factual observation, however, that the comparison between imports with exports, according to any one of the three possible definitions representing movements out of the country, has reflected a changed condition in the post-war period wherein the inflow of petroleum represents a growing amount relative to the outflow.

The preponderance of imports during the post-war period is primarily crude oil and residual fuel oil. Crude oils have originated largely from Western Hemisphere sources, with an increasing portion coming from the Eastern Hemisphere. Western Hemisphere crudes brought into the country are partly specialty crudes and heavy crude for residual fuel production.

The Subcommittee, in its effort to reveal the significance of imports on the domestic petroleum industry, has shown the relationship of total imports as a percentage of total petroleum supply and as a percentage of total demand for a series of years. These tables reveal that current percentage of imports to new supply do not constitute a new high in the experience of the industry, but are substantially below the percentage shown for 1919-1924 inclusive. The current percentage, however,

is at a higher ratio than existed pre-war after the discovery of the East Texas field. A comparison is also offered concerning the value of imports versus the value of commercial exports. Because of the nature of imports being largely raw products and residual fuel and the nature of our off-shore movement being, to a large extent, highly refined products and higher priced crudes, the export value to the industry is considerably greater than the value of imports.

Imported crude may be interpreted as having a bearing upon industry development in the form of new exploratory efforts and the discovery and development of additional domestic reserves. For this reason, the trends of wells drilled, footage drilled, and stripper well data are summarized in tables and charts.

Domestic production represented approximately 80 percent of maximum efficient productive capacity in 1940-1941. The Subcommittee has assumed that the industry produced at maximum efficient capacity during 1948 and anticipates that during the year 1949 will produce at 89 percent of the estimated maximum efficient productive capacity.

No statistical data are presented concerning imports and the national economy except with respect to the significance of petroleum in international trade. The

ramifications of such assignment are so tremendous in number that this did not appear feasible. The Subcommittee did point out the relationship between imports of petroleum products and total imports into the nation, and a similar comparison with respect to exports. This comparison was predicated upon dollar value. The foreign trade of the petroleum industry constitutes an important segment of our international trade.

The Subcommittee was asked to regard the significance of imports of petroleum upon national security. In an attempt to meet this request it has shown the origin of imports broken down between Western Hemisphere and Eastern Hemisphere sources. This line was adopted by your Subcommittee because Admiral Biggs, in a recent testimony before the House Small Business Committee, stated that the question of national security as regards petroleum involved the entire Western Hemisphere. Accordingly, the examination of this subject resulted in an inclusion of imports, exports, demands, productive capacity, etc., for the entire Western Hemisphere. In round numbers it may be said that in 1948 Western Hemisphere production exceeded the actual consumption in the area by a million barrels daily.

The Subcommittee report attempts to bring out such factual material as is available on the various

questions raised by its assignment and by members of your Committee at its first meeting. The subject is covered with a reasonably comprehensive treatment and throughout the presentation, the statements are limited to those of a factual nature as seen by the members of the Subcommittee. The Subcommittee report does not discuss economic implications of the conditions portrayed, since such interpretations are the responsibility of the Committee on Petroleum Imports.

Accordingly, I would request that each member study these facts carefully and be prepared to discuss the economic significance thereof on October 23. Such an evaluation will of necessity constitute the primary substance of our report to the National Petroleum Council.

Upon review of these data, the Committee on Petroleum Imports may decide that additional factual information on specific points is needed. If information on such points is available, the Subcommittee will attempt to bring such information together for your review."

Now, Mr. Chairman, the Subcommittee was not given any too definite instructions on what they should use in the report. The Committee, as constituted, were men that were high up in their profession; and we left it largely to them as to what they should put in this statistical report, with the thought that it could be added to or deleted from by the

same committee.

Now, the Committee, as I have stated in my letter to you, will make an attempt to get out a report by January. I am not too sanguine about that. I am just very hopeful that we can. We will bend every effort in that direction.

Now, I have in mind at this time, with your permission, designating the members of the Drafting Committee, to assure you that no time is being lost in that respect.

CHAIRMAN HALLANAN: Mr. Chairman, I want to take this opportunity to congratulate you and the members of the Committee upon the very fine approach they have made to this critical problem; and I think it is a fine demonstration of what can be done when men, representing different viewpoints, can get around the table and have an exchange of these viewpoints.

This subject is one, of course, which has attracted the widest degree of attention, and, perhaps, the widest division of thought; but I congratulate you upon the progress you have made. I am satisfied that when you do complete your report you will come up with something that will represent a very constructive achievement for the whole Petroleum Industry, on this subject.

MR. PORTER: Thank you, Mr. Chairman.

MR. FENTRESS: I would like to say a word, too, if I may. I had the privilege of sitting with the Committee on Sunday

all day, and a goodly portion of yesterday; and I would like to commend the Committee on the thoroughness with which it is attacking this very difficult problem. It is a complex problem that has many repercussions, not only on the oil industry, but elsewhere; and I would like to commend both Mr. Porter, his Committee, and the Statistical Subcommittee for their fine work to date. I know we are going to have a very excellent report, from sitting in their meetings. It just can't be otherwise. The Statistical Subcommittee's report, I think, is quite an accomplishment in itself. It has put together in one place information from widely scattered sources. It has also added information which hitherto has not been available. I think all of you will find much interesting and valuable data within that report.

Thank you.

CHAIRMAN HALLANAN: Mr. Porter, you may proceed.

MR. PORTER: As members of the Drafting Committee, I have named Mr. Howard Marshall, Chairman; Mr. Russell B. Brown, Mr. Sidney Swensrud, Mr. E. L. Majewski, Mr. W. Alton Jones, Mr. Joe Nolan, Mr. Gene Holman, Mr. Parks Gwaltney, a committee of eight. I have tried to spread it around through the different segments of the industry, Mr. Chairman; and I believe it is a representative committee.

CHAIRMAN HALLANAN: Are there any questions, gentlemen, that you desire to propound?

MR. DUKE: Would it be pertinent, Walter, to ask Mr. Porter, who were the members of the Statistical Subcommittee; and are they given here? It is a very thorough report.

MR. PORTER: Chairman, Howard W. Page, Vice President of the Standard Oil Company of New Jersey. Fred Sehmann, of the National Stripper Well Association. Kenneth E. Beall, Phillips Petroleum Company. John Boatwright, of the Standard Oil Company of Indiana. James V. Brown of the National Petroleum Council. Austin E. Cadle, Standard Oil Company of California. John C. Day, Western Petroleum Refiners Association. Fayette B. Dow, National Petroleum Association. Stark Fox, Oil Producers Agency of California. R. J. Gonzalez, of the Humble Oil and Refining Company. Harry B. Hilts of the Atlantic Coast Oil Conference. Dene B. Hodges, of the Shell Oil Company. Minor S. Jameson, of the IPAA. J. P. Jones, of the Penn-Grade Crude Oil Association. W. H. Kraft of the Honolulu Oil Corporation. J. A. Lentz of the Continental Oil Company. E. Madison of the Texas Company. A. J. McIntosh of the Socony-Vacuum Oil Company. W. G. Moore, Gulf Oil Corporation. Fred Van Covern of the American Petroleum Institute.

MR. DUKE: Thank you.

CHAIRMAN HALLANAN: Any further questions, gentlemen?

This report will constitute a progress report from the Special Committee on Oil Imports, with the thought that

final report may be transmitted to the Council at the next meeting in January.

Thank you again, Mr. Porter.

MR. PORTER: Yes, sir.

CHAIRMAN HALLANAN: Mr. Bruce Brown, as Chairman of the Military Petroleum Advisory Board, do you have any report, progress or otherwise, to make at this time?

MR. BRUCE BROWN: Quoting a famous statement made by an oil company president during the war frequently here, "No report."

CHAIRMAN HALLANAN: Colonel Cotulla of the Armed Services Petroleum Purchasing Agency.

COLONEL COTULLA: Mr. Hallanan and gentlemen: I really don't have an excuse for being here this morning, other than the fact that I thought perhaps it advisable to appear in person and at least demonstrate that at least so far as I represent a small part of the Military Establishment, things are not quite as bad as you may have been led to believe by the events of the past few weeks.

So far as the Purchasing Agency activities are concerned, we are doing very well. We have no complaints. Our requirements are being met. I hope that you, in turn, find, that our requirements have not been particularly excessive; and that some of the fine print in the contracts that we send out to you is not too onerous.

The last time I was here, I believe I indicated that our military requirements, bulk requirements, exclusive of regional contracts, which are more or less a stable quantity, or varying relatively little from time to time, were of the order of 87 million barrels, which represented a reduction of some 10 million barrels over that of last year.

I find that since the last meeting, an interim reading indicates that our requirements had gone back up to 96 or 97 million barrels, of course, amounting roughly to the figures of the past year; and now, much to my surprise, I find that the figures are back down to 87 million barrels.

That isn't so surprising. Fluctuations on that order are to be expected. As long as we all recognize them as being more or less normal, and part and parcel of the difficulties of estimating requirements over a period of a year, we can hardly expect any greater degree of accuracy than five or ten percent. These estimates are within that degree of accuracy.

Briefly, we find that the aviation fuels -- and we are now asking for bids on aviation fuels in this quantity for the first six months of the next calendar year -- total between $13\frac{1}{2}$ and 14 million barrels. That takes in the 115, the 100, the 91, and the jet fuels.

Our motor gasoline requirements for the next six months -- bearing in mind for this current period, for the period

ending 31 December our requirements have been met -- the indicated requirement is slightly over 5 million barrels.

On our Diesel fuel, the indicated requirement is about four million six, which is a reduction, a very substantial reduction over what we had previously used, to the extent of some 3 million barrels.

Our Navy special, our fuel oil requirement is now down to about 15 million barrels, some 3 million barrels less than what it was three months ago.

This, in a measure, reflects the completion of a fill-up program on the part of the military services, where they had some storage which was in use, and some space to be filled up. To a large degree, this reduction reflects the decreased requirements incident to the discontinuation of the Berlin Airlift which, after all, did consume on the order of a quarter of a million barrels on 100 octane a month; and also because we anticipate getting out of the military supplying the Japanese economy, to a large extent, and to a certain extent the German set-up.

We have anticipated this for a long time. It hasn't actually come about as yet; but probably will sometime in the first six months of next year.

So, these requirements which I think, for the most part, are now in your hands, reflect those changes which have come about during the past three or four months. Our total

requirement for the six months period is approximately half of this total of 87 million barrels, the full year's requirement that I indicated; and, as we see it at the present time, the bulk requirements are about 36 million barrels. That, again, I would like to emphasize, is exclusive of the regional requirements, where we go out in staggered periods. We have one invitation, one letting each month for these six regions into which the Continental United States is divided. Those requirements are essentially the same throughout the year; and are handled through small suppliers; some of the larger suppliers are involved also. But these are the bulks requirements that we are now asking for bids to be opened for the most part in the first part of November, between the first and the 15th of November.

Mr. Chairman, I am very happy to state that I have no particular problems at the moment. I would be very happy, also, to answer, or attempt to answer any questions anyone might have.

CHAIRMAN HALLANAN: A year ago, you had quite a few problems.

COLONEL COTULLA: I couldn't help but think a while ago what a heck of a lot of difference it is between this October and last October.

MR. WILSON: How are the German and Japanese requirements being taken care of?

COLONEL COTULLA: The German requirements are very small, and consist largely of fuel oil, that is, as far as the military is concerned. We have been buying a certain amount of fuel oil; and those requirements will pass over to some governmental agency, yet to be determined. I don't know whether it is ECA or State Department. I don't know how that is to be handled.

MR. WILSON: Japanese the same?

COLONEL COTULLA: The Japanese essentially the same way. They have had in mind re-establishing a modest refinery program in Japan for a good long time. They are now out in an effort to secure crude oil. In fact, they opened bids last week, I understand. They are looking for some four million barrels of crude oil. They are going to reconstitute their refinery program ultimately, I believe, to some 7500 barrels a day, or thereabouts, and that will serve to replace the quantities of refined products, or a substantial part of the refined products which the Military have been buying and sending into Japan.

MR. WILSON: Where will the crude oil come from, Colonel?

COLONEL COTULLA: That depends on who is the successful bidder.

MR. W.A. JONES: Not from America?

COLONEL COTULLA: What they are shooting for, I think -- and it is all being handled out of Tokyo; and I don't know

for sure, but I feel quite certain they are planning on securing crude oil from the Middle East.

MR. MAJEWSKI: Where are the present products coming from for Germany and Japan?

COLONEL COTULLA: About the only thing involved in this program is the heavy fuel oil; and a certain amount of Diesel fuel. The heavy fuel oil for the Japanese fishing fleet. Those products, for the most part, are coming from the Middle East. For Germany, we have been sending some fuel oil from the Middle East; some off the United States Gulf.

CHAIRMAN HALLANAN: Any other questions, gentlemen?

MR. GRAVES: Will the purchases for Japan be paid for by the Government in dollars, or in sterling?

COLONEL COTULLA: These present purchases that we are just about to undertake will be paid for in sterling.

Now, I sent to most companies, most of those that we thought were in a position to supply crude oil, a copy of the dispatch we received from the Far East, outlining what they wanted, when they would open bids, and the conditions, among which was this little phrase, "Payment will be made in sterling." We relayed that to everyone we thought would be in a position or interested in supplying crude oil.

MR. MAJEWSKI: That really limits it to foreign, doesn't it; foreign crude?

MR. WILSON: If you are willing to sell American crude

for sterling, you can.

MR. MAJEWSKI: I mean, it really limits it; no one is willing to do that.

COLONEL COTULLA: I would say it acts as a pretty strong deterrent, but you are not barred, if you want to take sterling.

MR. HOLMAN: I think the basic thing on a thing like that is, even if you take sterling, what arrangements can you make to convert it anything that you want to convert it into?

MR. MAJEWSKI: I wondered if the taxpayer was giving dollars to purchase sterling to pay for the foreign oil. That is what was bothering the hell out of me.

MR. JONES: You weren't really wondering?

MR. MAJEWSKI: I am a little puzzled.

ADMIRAL BIGGS: I might as well rush in where angels fear to tread.

MR. MAJEWSKI: I am very saintly these days, Admiral.

ADMIRAL BIGGS: The sterling balances that have been accumulated by the Japanese Government are available to pay for this oil, if they buy it by that method. Now, those sterling balances arise from the fact that Japan does market in the various places in the Middle East, and other places, ceramics, textiles, and so on, with which they did accumulate sterling balances.

Now, I am not an international banker. I am liable to get into a very difficult position; but that is what they

tell the country boy here; that is what is going on.

CHAIRMAN HALLANAN: Thank you very much, Colonel Cotulla.

(At this point, Secretary of the Interior Krug entered the room.)

CHAIRMAN HALLANAN: Admiral Biggs, do you have anything further to add to the military requirements situation?

ADMIRAL BIGGS: Thank you, Mr. Chairman. I don't think so. We have been very happy about the whole deal. I might remark, and add to Colonel Cotulla's remarks about the general unification of the oil business.

We haven't had any difficulty in my shop either. I might also add one of the principal reasons that the unification of the oil business was the result of an absolute necessity in the case of war, and started in 1941 and '42; and, as you gentlemen are extremely cognizant, you went through the growing pains from 1941 until '43; and by 1944 you had a pretty good going combination.

We have been in business for approximately seven years; and, as a result, we have learned several things the hard way, for which the oil industry should be congratulated.

CHAIRMAN HALLANAN: Thank you very much.

Gentlemen, since we last met here in July, a good many significant things have happened in the world situation that have a bearing on our own doorsteps here in America, in

connection with the oil industry.

I know that we are all thinking as to what is to be the effect of the devaluation of the pound, what reverberations that will create here; and there are not many that seem to have the answer.

In view, however, of the very wide-spread interest in the effects of this further dislocation in our world economy, I decided to invite Mr. Walter Levy to come to this meeting again; and to talk with us about this world oil situation in its present day status.

We know that he has given us a great deal of very valuable information heretofore; and his discussions have been most interesting and revealing.

While he is no longer directly connected with the ECA, we know that he has a background of experience that perhaps is unapproached by any other man who has been before this Council.

I now desire to present to you Mr. Walter Levy.

(Applause)

MR. DUKE: Mr. Chairman, I only wanted, in passing, if it is in order, to pay tribute to this Navy and Army getting together, Colonel Cotulla and Admiral Biggs, at least in the Oil Division.

(Applause)

MR. LEVY: I cannot deny that I was very happy when

your chairman asked me a few weeks ago whether I would be willing to address the Council at today's meeting on one of the current problems that are facing the industry. When I spoke to you previously I did it as a Government official, and everything had, of course, been cleared by ECA. Those statements represented the official position of ECA, the agency with which I was connected as a full-time employee, and a statement by ECA was naturally of interest to you. I need not tell you how pleased I am that I have now the honor of addressing you as a private individual rather than as an official.

American Oil - The Leader of the World's Oil Industry:

I believe that our industry is going through a very interesting and difficult period. I also know that many in the industry wish it were less interesting and less difficult. As an economic consultant, I, of course, do not quite share their wish. I feel, however, that it is useful to go back to the fundamentals of the problems we are confronted with, in order to understand and evaluate them better.

The American oil industry is at present uncertain about its role in the world's oil industry, and somewhat fearful of the impact which foreign production, marketing, and general economic developments may have on its future. Let me say first that the American oil industry has been and still is the leader of the world oil industry -- the leader in more than

a normal or limited sense. The United States is still the largest producer of oil, account for about 60 percent of total world production. The United States is still the largest consumer of oil in the world, account for about the same percentage of the world's oil consumption. And finally, the United States still is, but not in the same manner as before, the determining factor for the oil prices in every market of the world.

However, some of the underlying conditions have changed. The United States is no longer the leading exporter of oil. The United States no longer includes within its boundaries the world's largest concentration of proven reserves.

I probably shouldn't say it; but we are at the moment probably the largest importer in the world.

What has happened is that outside the United States very large oil resources have been discovered, amounting now for 70 percent of the world's proven reserves. Since the actual rate of production in those foreign areas amounts only to about 40 percent of the world's total, there exists an apparent and obvious trend to increase the rate of production in foreign producing areas.

There are added political and economic pressures which tend to push the rate of production of foreign countries upwards, such as the terms of foreign concession, the desire of foreign countries to develop their resources, and of

course the necessity for foreign oil companies to provide an increasing production in order to obtain a higher foreign exchange income for the foreign exchange hungry treasuries of their countries.

What does all this mean to American oil? It seems to imply that in one field of leadership the role of the United States is coming to an end. Oil from the United States is no longer the major source of supply for the rest of the world. However, the American oil industry has not been idly watching this development. It has developed and acquired interests in many foreign concessions, and plays in fact a most important role in foreign developments. Moreover, the leadership of the United States oil industry, as representing by far the largest single world market, is one that has been maintained and will be maintained, I believe, for many years to come or even for as long as oil remains an essential commodity. The role of the United States as the largest single consumer results from our predominance as the world's largest manufacturing center and as the country with the highest national income and the highest standard of living. This role has, I believe, been established firmly and securely.

The World Oil Price Structure:

Further, the leadership of the United States in determining world market prices for oil, which was based formerly on the export capacity of this country, will be maintained, I

believe, in a somewhat changed form because this country still does and will continue to represent the world's largest market for oil.

As long as the United States was a major supplier to all the other countries of the world, the delivered price from the United States and from most foreign sources of supply was calculated as the U. S. Gulf price plus transportation from the U. S. Gulf to the destination. Now that the United States is no longer the world's most important supplier, economic laws and forces will, I believe, determine the world oil price structure in the following manner.

In the case of Middle East crude oil, as Middle East production is in fact now sufficient to cover Eastern Hemisphere crude oil requirements, prices will normally fluctuate between a high and a low -- a high that will be a price which will just permit Western Hemisphere crude oil to be shipped to Western Europe, and a low which will just permit Middle East crude oil to move into the Western Hemisphere. As a matter of fact, on the basis of present tanker rates the current Middle East crude oil price is near the low of this range. In the case of refined products, as Western Europe still needs large supplies from the Caribbean area, Middle East refined products will usually be priced in such a manner that the delivered price in Western Europe equalizes with that of Caribbean oil. Crude oil from the Caribbean which moves in sizeable quantities

to the East Coast of the United States will be priced in the Caribbean in such a manner that it will be able to compete with United States oil at the East Coast, and this will also in general be the Caribbean price which will be charged for shipments to the Eastern Hemisphere. This is the price structure as it has evolved already or as it will, I believe, evolve in the near future.

Devaluation and Oil Prices:

I do not believe that devaluations or currency manipulations or any arbitrary government rules and regulations could substantially and for any length of time interfere with the sensitive mechanism of world oil pricing. Any such attempts would run counter to normal economic forces and would soon prove futile.

Moreover, British oil includes a very sizeable dollar cost element not only for production in the Western Hemisphere where both royalties and operating expenses are paid in dollars, but also in the Middle East where royalties, which are a fixed sum per ton of oil produced, are calculated on the basis of the gold standard. Further, as Iran did not devalue its currency, British operating expenses there have gone up by the full amount of the British devaluation. Finally, the British oil industry purchases a large amount of equipment from American manufacturers. As a result of the devaluation its costs have therefore gone up very considerably.

But, even more important, the importing countries of the world need oil from British as well as from dollar sources in order to satisfy their requirements. If the British were to offer oil at a sterling price lower than the corresponding dollar price on the basis of the new sterling rate of exchange, they would lose dollar and other foreign exchange income, and would establish an untenable two-price system for oil. It would not and could not last long. To try to keep oil prices after devaluation down to their former level would be, as the London ECONOMIST put it so aptly, "nonsensical in the circumstances."

The Development of Foreign Oil Production and Refining:

As I mentioned before, one of the great changes that is confronting the American oil industry is the discovery of large oil reserves in foreign countries, particularly in the Middle East, and the resulting increase in foreign production. A recent report published by ECA on the companies' programs for the development of foreign production and refining is most informative. According to this report, foreign crude oil production would increase from 3 million barrels daily in 1948 to 4.6 million barrels daily in 1952, and foreign refining throughput from 2.4 million barrels daily to 3.8 million barrels daily. I want to stress as strongly as I know how that this report does not represent an ECA program,

or the program of the European countries as such, but is the total of all the programs of the various oil companies -- American, British, Dutch, French, and so on. The report has been compiled and published to permit everyone concerned to evaluate the combined company programs and to reach conclusions on the desirability of their scope and size. On the basis of these figures ECA, the European countries, and the interested companies must obviously make their final investment decisions, and in particular they must decide whether adjustments are called for.

I may perhaps be permitted as a private individual to make a few comments on the figures presented in this report.

The Threat of Overexpansion:

It is interesting to note that while the total figures in the ECA summary for foreign crude oil production in 1952 are only 4 to 5 percent higher than the so-called McCollum figures in the "Report on the Long-Term Availability of Petroleum" of November, 1948; the figures for the Eastern Hemisphere, outside Eastern Europe are nearly 25 percent higher than the corresponding McCollum figures, and those for the Western Hemisphere, outside North American nearly 20 percent lower.

It is also interesting to note that if the working assumptions are made that the world's oil requirements outside the United States would increase by about 6 or 7 percent annually

during the next 3 or 4 years, and U. S. consumption by about 4 to 5 percent, while U. S. domestic production would expand in accordance with the average of the McCollum figures and U. S. exports would decline by about 40 percent, there would be a surplus of foreign crude oil production of about 150,000 to 350,000 barrels daily and a surplus of foreign refined products of about 350,000 to 500,000 barrels daily. Because of the great dollar shortage in nearly every one of the consuming countries of the world, it is likely that the total surplus that would exist would have to be absorbed by American oil; or to put it differently, foreign companies could sell all that they plan to produce for soft currencies at the expense of outlets for American-owned oil. If that situation should arise, American owned foreign production would have to remain at or even fall below the 1948 level, while foreign oil companies would supply not only their own market share but also the total increase in all foreign requirements.

This would be the conclusion on the basis of the assumptions stated here. These assumptions appear to me to be reasonable, and probably err on the side of overestimating the rate of increase of demand. In particular, devaluation has made oil more expensive in all countries that have devalued, this probably exercising a retarding influence on the expansion of consumption. On the other hand, devaluation has also made dollar equipment more expensive to those countries,

and that will probably affect adversely the expansion program.

If, however, the general economic recovery in Europe and developments in the rest of the world should support a higher rate of increase in consumption, the conclusions on the required rate of production and refining expansion in the Eastern Hemisphere must, of course, be adjusted accordingly. It is therefore necessary to review the whole situation continuously in order to be able to make any called-for adjustments in the capital expansion program timely enough to cover adequately the needs of the Eastern Hemisphere.

U. S. National Interest in American-Owned Foreign Oil:

The figures just cited indicate a potentially very serious situation, not only for the American oil industry as such, but also in terms of our political and strategic position. The stability of our concessions and the economic and political wellbeing of those countries where our companies operate would obviously be put in jeopardy if American oil developments are stymied at a time when British projects in the same or neighboring countries proceed at an unprecedented rate.

The foreign operations of our industry are an integral part of our defense system. For our defense we must be able to count not only on a sound and healthy domestic oil industry but also on U.S.-owned foreign oil resources. This is obvious in terms of Western Hemisphere oil. It is no less correct

in terms of Middle East oil. Imagine for a moment what it would mean to the economic and political position of the United States if the oil resources of the Middle East were controlled by a hostile power on whose good will all the Eastern Hemisphere countries would then depend for their essential oil supplies.

I need not elaborate on how this would affect our security; nor need I dwell on the positive contribution which Middle East oil in fact made to the Allied cause during the last war and is likely to make again in any future emergency.

Moreover, in terms of U. S. foreign economic policy, United States private foreign investments are the keystone in the Point IV program. The U. S. oil industry represents in fact by far the largest source for foreign capital investments. It provided, as Mr. Eugene Holman has recently pointed out, four-fifths of the private investments made by American interests abroad last year -- totaling one and one-half billion dollars.

The President of the National Bank told me the other day that oil capital is the only risk capital that is still moving outside of the United States. He asked me how much longer; and I told him he shouldn't count too much on it.

If this source of investment is cut off or the productivity of past investments curtailed, the whole Point IV private investment program will be put in jeopardy.

ECA's Policy:

Right in the middle of all these problems and conflicting interests is the ECA, which is endeavoring under a Congressional mandate resulting from our bipartisan foreign policy to re-establish the dollar solvency of the European countries during the next three years without seriously impairing the economic stability of the United States. As a former ECA official who carried some responsibility for the first year's petroleum operations of this agency, I may perhaps be permitted to state that ECA has been very much aware of the whole situation and of all its possible implications. You will recall the many public statements of ECA on this issue before this very Council. Let me just repeat the statement on the ECA position made to the Council in April of this year:

"Nevertheless, while we must help Europe improve its dollar balance to enable it to achieve recovery within the next three years, vital United States interests are at stake and the mere dollar-saving approach is too narrow in the case of oil. Some sacrifices may be required in the process of making Europe self-sustaining but I believe it is imperative that no vital interests of the United States be jeopardized and that no legitimate business interests be hurt unnecessarily."

Accordingly, as I reported to the Council in July,

"ECA has taken the position that an expansion of European oil facilities is justified only to the extent that the output from such facilities can be sold without the use of discriminatory trade or currency practices and without the utilization of other restrictive trade devices."

For a variety of reasons it may be very difficult to carry out this policy effectively. Certain factors and developments are as a practical matter outside the control of ECA. In particular you must be aware that if ECA refuses to finance certain projects, the country concerned may find non-ECA dollars to carry out those projects or may even be able to procure all the necessary equipment for soft currencies. What can or should the ECA do under such circumstances? This question is difficult to answer; and a very drastic reply to it may not lead to the best or wisest course from an over-all point of view. Moreover, should all ECA assistance cease, much less dollar oil would find a market abroad and the pressure for expansion for non-dollar oil facilities would be even greater.

Conclusion:

In conclusion, the world's oil economy is undergoing far-reaching structural changes as a result of the development of Middle East oil and the refinery construction in the Eastern Hemisphere. Such changes obviously will affect our U. S.

oil economy as well as that of foreign countries. It is also true that there will be an interplay of forces between Western Hemisphere and Middle East oil, with each acting as a somewhat controlling and balancing factor on the other. Such an interplay of economic forces is the direct result of the free enterprise system which has succeeded without fail in assuring supplies for the ever-increasing oil requirements of the world.

Thanks to the free initiative of all segments of our industry, the leading role of the American oil industry in satisfying such world demand from their domestic and foreign sources is still maintained. There is no doubt in my mind that when the storm has blown over and when things have settled down again, the American oil industry will still be the leading oil industry of the world.

(Applause)

CHAIRMAN HALLANAN: Mr. Levy, it is a very interesting and constructive address, as you always present. I would like, if you would indulge us, to get any questions that the members may desire to present on this phase of the subject.

Are there any questions, gentlemen, that you desire to present to Mr. Levy?

MR. JONES: Mr. Levy, on page five of your statement, toward the bottom of the page, you refer to the foreign operations of our industry as an integral part of our defense

system. As a very well informed and brilliant observer, do you feel that particularly in the Eastern Hemisphere, we could, in the event of a hot war, very long hold those reserves available to our defense?

MR. LEVY: I hate to say something where angels fear to tread; but --

MR. JONES: The Military are all friendly here today, nobody is going to attack you. They don't seem to be in an attacking mood.

MR. LEVY: I would say this: You could not make out a convincing case that we will lose it right away. We may not lose it at all.

MR. JONES: Let's examine that a minute. Assuming that Russia has the atomic bomb, don't you think they might first strike at those reserves as a lifeline of a war?

MR. LEVY: I would be inclined to doubt it, because, you see, we are less dependent for our war supplies on Middle East oil than they are --

MR. JONES: I think I am thinking to what extent they are of great value in an active hot war.

MR. LEVY: To us?

MR. JONES: Yes.

MR. LEVY: If the war should move near the Russian border, I think, for technical reasons, to have a local source of supply somewhere available there would be immense.

MR. JONES: If we could protect them, I quite agree with you. That is my point.

MR. LEVY: I am not that much of an expert on these phases. What I am pretty convinced about, and I talked to the National War College about it, is the fact that we do control these resources. You see, the world now is divided into two pieces, the cold war, and the hot war.

MR. JONES: I was thinking about a hot war now. I realize in a cold war they are tremendously valuable.

MR. LEVY: Our friendly control over these resources in a cold war is of some importance, because the economic well being of practically every Eastern Hemisphere country depends on being able to draw supplies from this source, that I am satisfied in my mind, whether we lose it or keep it during the hot war, would not diminish the tremendous importance of these resources from a defense interest.

MR. JONES: I wouldn't debate that. I think you are quite right. I do question whether they would be of great potential benefit to this country in a hot war.

MR. LEVY: Let me say this: One should never go back to past experiences. However, for instance, during the last war, with Italy in the Mediterranean who was a hostile power, we were able, and the British were able, when they were fighting alone, to draw oil supplies from Iran.

MR. JONES: Well, that was sans the atomic bomb.

MR. LEVY: Well, I don't know what choice they would make. The oil targets in the Middle East, in case of a war, may not be the most attractive targets to Russia, if they have a limited amount of atom bombs; because we are able to take care of our oil needs from elsewhere.

MR. WILSON: It might be worth keeping to make them the primary target instead of New York City.

MR. JONES: I am not questioning the value; and, of course, I realize this, too: The very fact that we do control them now would enable us to probably destroy them first and make them not available to an aggressor nation. My only question is a question of degree, to what extent we would say -- concede everything you say with respect to a cold war, and with respect to normal peacetime world economy; but I do question, whether, in a hot war, we could put a great deal of value on those damn things over there, so far away, and so near to the fellow we know is going to blow the bejeezus out of us if we get into a war.

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MR. LEVY: Whether we keep it or not, I would consider it as a bonus. I would not plan on having it; but if we do have it, I would say, so much the better.

MR. WILSON: It seems to me we should distinguish between the refineries and refined products which could be put out of action by a few atom bombs, and the pipe lines and production would be very difficult to put out of action by atomic bombs.

MR. LEVY: You can make areas uninhabitable.

MR. WILSON: You can always build a pipe line around them; always load ships at sea in emergencies. There are a lot of things you can do.

MR. BLAUSTEIN: It seems to me Russia could move in there without the atomic bomb, the closeness and all the other factors would make that readily accessible. I think the conclusion of Mr. Levy is certainly a right one. It might be a cushion in case of hot war, and certainly essential in case of cold war, and peace economy.

MR. JACOBSEN: I would like to speak to Mr. Levy about page 6 of the report, where, Mr. Levy, you quote what you said in July:

"ECA has taken the position that an expansion of European oil facilities is justified only to the extent that the output from such facilities can be sold without the use of discriminatory trade or currency practices, and without the utilization of other restrictive trade devices."

Would you say that the European countries have lived up to that assumption on the part of ECA?

MR. LEVY: I can only talk as a private individual now; and I would say that there have been violations.

MR. JACOBSEN: It seems to me they have used every discriminatory trade practice they could find in the book, and

they have invented a few new ones; and they have utilized all other restrictive trade devices against the United States; and ECA has put up the money for the refineries, or is doing it now.

MR. LEVY: I would like to say this: You can't get away -- Let me put it this way: It is very hard to charge a bankrupt customers of yours that he discriminates against you, when he refuses to buy from you, because he can't pay. You see, you have this problem.

MR. JACOBSEN: No, that is not what I am thinking of. I am thinking of what they have done in the way of preventing American companies from selling in all the markets.

MR. LEVY: Yes, but why did they do it? They did do it to some extent, at least, because they were bankrupt as far as dollars were concerned.

MR. JONES: I think he is restating the proposition he made when you were before us last spring, and saying we built a 30-room mansion instead of a 5-room cottage, and now we are waking up to the fact it is going to hurt us a little.

MR. JACOBSEN: We have not re-established what they had, but have given them something new.

MR. JONES: A 30-room mansion.

MR. LEVY: The way I interpret the ECA policy, as an outsider, is this: When and if they develop all resources, they should be developed in such a manner that they just satisfy

the needs that have usually been supplied by the companies that filled these resources. They should not be used to set up resources to ship oil to markets that have traditionally been supplied by American oil companies.

MR. JACOBSEN: Haven't they done that?

MR. LEVY: I would say there have been some cases where it has happened. It hasn't happened on a global basis, yet.

MR. JACOBSEN: It hasn't happened everywhere it could happen, but that is about all you can say.

MR. BLAUSTEIN: What can be done to stem that? The soundness of what ought to be done is definite. That there have been some violations is clear, not in a world general way. But what can ECA do, or our country do, that would prevent the spending of American money for their over-building of capacity over there to the detriment of our industry and ultimately, perhaps to the detriment of our position in a national emergency?

MR. LEVY: Let me say again: At the moment, Europe is short of dollars; and we pump four billion dollars into the European economy to make up the deficit. It is very clear, I think, that the oil industry should not be the one on whose back the total European deficit shall be solved, so to speak; but that the American exporter, who will lose some export, or the American manufacturer who will meet increased competition, has to make some adjustments, and costly adjustments, I think,

is obvious.

We can't have our dollars and eat them. We can't have our cake and eat it. Because, obviously, we supply more, we produce more for the European countries than we are at present shipping into our country. How to solve this problem is difficult.

The way we felt, when I was in the Petroleum Branch, was that it should not be solved 100 percent on the back of the oil industry. To some extent, the oil industry will suffer; that can't be helped. I don't know the way out; and none of the men that I have talked, -- and I have talked to a great number of men -- could advise me what to do.

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There are various ways and means, of course. You know about the attempt which I mentioned last time, to have our oil industry increase its expenditure in soft currency, which, in fact, means that our oil industry helps those countries to import to the United States and acquire additional dollars which they then could use to pay for the oil. But I like to point out, if that is done, another United States oil industry is suffering; that is, the equipment industry.

Another United States industry, agriculture, may suffer, because, instead of Saudi Arabia drawing meat and agricultural products from the United States, they may get it from Australia.

If we want Europe to balance its dollar account, some-

thing has to be done which cannot be done without hurting somebody. What happens at the moment? At the moment, it is the United States taxpayer who gets the licking, because we give away part of the taxes we pay.

MR. WILSON: Your general outlook for the next several years is gloomy. You have one ray of hope in that last sentence, "When things have settled down again, the American oil industry will still be the leading oil industry of the world."

Would you care to hazard any guess as to when the dawn may come?

MR. LEVY: I would say, Dr. Wilson, that I know that ECA, Dr. Bransky tries his very best now to get an agreement on a reasonable program. That means one cannot impose upon them easily. The weaker a country is, to some extent, sometimes the more lenient it seems to be we are with them. If a country is very weak, on the point of collapsing, they can more or less get away with murder. The only way to achieve it is by agreement on some reasonable program, and an agreement which would have the support of the industries.

ECA is engaged in a very difficult and very ticklish operation. I am glad I am out of it. But there are men who are in it now, and they are trying their damndest to keep the line; and they have to keep it against opposition in Government agencies, and in foreign governments; and they need and they have to have all the support they can possibly

get in order to keep a line.

I believe very sincerely that the British Government will not value short-term commercial gains higher than the long-term disadvantages that would accrue from a ruthless policy of excluding American oil everywhere where British oil can be produced and sold. I simply don't believe it. They aren't that foolish. If they were, we would face a more dangerous situation.

MR. JACOBSEN: This has no particular bearing on anything, but I would like to say that if we had today the Anglo-American Oil Treaty that some of us tried to get adopted some time ago, we would be in a hell of a lot better position to cope with the present condition.

MR. BROWN: Reserving the right to object. I disagree with that.

CHAIRMAN HALLANAN: Are there any further questions, gentlemen?

Thank you very much, Mr. Levy.

(Applause)

CHAIRMAN HALLANAN: Gentlemen of the Council, I have said recently in several public addresses, that I felt that the oil industry was facing more critical problems today than in its entire history.

Listening to the statement of Mr. Levy gives a realistic picture of just one of those critical problems, and I do

think we can escape a realization that there are many serious problems confronting the American oil industry today that affects one phase or another of our whole domestic economy.

This is a very serious picture which Mr. Levy gives us with respect to the foreign situation. There are other dangers on other fronts.

We heard the discussion this morning; and I am sorry that Secretary Krug was not here to have the benefit of it, of the presentation of the report of Mr. Porter's committee on the subject of oil imports.

However, out of these problems, and there are many of them, which we all recognize, it seems to me that there is one duty and one responsibility which we must face, and face with real seriousness, and that is, if there was ever a time when the oil industry should have unity, harmony, and a solid front, it is now; because this is the one time of all when the oil industry cannot have a house divided.

We must present a solid front, a united front, a harmonious front, because one phase of these serious problems may only affect one part of our petroleum industry, while another phase may affect another; but they finally come down to one common stream; and we all have an interest in the preservation and in the stability of our free American oil economy.

Now, this matter of imports, of course, has been a very serious problem. There have been sharp differences of opinion

about it.

012 The Secretary gave us an opportunity, through the facilities of this Council to appoint a committee representative of all segments of our industry, to investigate it, to look into it, to get the facts, to reconcile the differences that might exist; and I have been immeasurably delighted to know and to realize that these discussions that have taken place around the Council table on this subject, wherein there have been some differences of opinion, that those discussions have been free of rancor or of bitterness or suspicion; that there has been a yielding to the other fellow's point of view; and it seems to me that it is a very happy circumstance to indicate.

I want to say this in the presence of the Secretary, that I believe this National Petroleum Council, which he has created, has given us a forum whereby the oil industry can sustain itself as a united, harmonious industry. We find a demonstration of that in the discussion of this critical subject of imports. And I hope that that may inspire us to carry on in the realization that while we do have many critical problems on many fronts, by pulling together, by working together, by working together harmoniously, and in a spirit of indulgence, that we can do a better job, and that we can have an all-American team that will more quickly meet these situations that confront us.

I am very delighted that we have Secretary of the Interior with us today. In the first place, I think perhaps he may be pleased to come here and meet with a great fundamental American industry that hasn't gone on a shut-down. The oil industry is still going. When I think of the dislocations that have occurred, the shut-downs in coal and steel, the country is still limping along, Mr. Secretary. We are still moving, although quite crippled; but what would have happened to this country if that same condition had taken place in the petroleum industry? Where would our American economy or our American industry be today? We would have been at a standstill.

That is all the more reason, I take it, that we, as members of the Council should enjoy and appreciate the privilege and opportunity that we have, through this Government-Industry cooperation, to meet and discuss in the statesman-like and friendly way these very serious situations.

Mr. Secretary, this is a united industry, the oil industry. We propose to continue to tackle these great problems as we have tackled them for the last 90 years. We appreciate the opportunity that you have given us to work with the Government in these problems that affect our military, our national security, and our whole domestic economy. I am delighted to have you here.

Gentlemen, Secretary Krug.

(Applause)

SECRETARY KRUG: Good morning, gentlemen.

It makes me very happy to see so many of you back here again. I can't tell you how much I enjoyed the discussion of the last hour. I think it bears out what Walter Hallanan just said, that this has become a really great forum, where you fellows really get down to some real thinking and not just that general cursing that so often typifies one industry when it looks out of its window on world problems.

I am not sure, Walter, that I should thank you fellows for the fact that the petroleum industry isn't shut down this morning, or I should thank the good Lord that we don't have two John L. Lewises in this country.

In any event, I am sure the entire country is thankful that you gentlemen are on the job and keeping petroleum flowing.

I really didn't have much to say when I came down here this morning, but I am a little encouraged by the discussion of the military strategy that was engaged in by my friend Walter Levy and by Mr. Jones; because, if they can talk about military strategy in those terms, it gives me a little courage to talk about general economics.

(Laughter and applause)

I was just going to say, the only thing the three of us have really in common is that none of us is an angel.

I am very much worried about the world picture as it affects our petroleum industry and our other industries. Petroleum, of course, being a big one, is, I think, tremendously affected; and I don't think the problems are easy.

About the only competent conclusion I have is that after a certain period -- and how long that will be I will leave to Mr. Levy -- when the fighting is over, your fellows still will have world leadership. But, you are not going to do it by isolating your point of view to the problems of this industry alone.

For that reason, I am very happy that you set up this committee; and I understand they worked two solid days, Sunday and yesterday, getting this report ready; and I think when their final report is in, it is going to give us some clues.

Frankly, I don't know what the answer is; but in my humble economics, I think the world picture is something like this: that at least a half dozen if not more of our good friends in the company of world nations are in one hell of a way, and I think their old way of doing business and getting along in the world is never coming back.

I refer, of course, to the basic policy of bringing in raw materials, fabricating them, and selling them, so that the total profit makes a living for the people who are doing that job.

We know that for many years before the war, just take one of them, Great Britain was able to make up the gap between income and outgo by things like shipping, insurance, and return on capital. We know that they are no longer present; and, frankly, I am afraid that it will take considerable pump priming to put that back in balance.

In the meantime, we have and we are going to have throughout this period the condition that I thought Walter put very well: Some people that we used to sell gasoline and oil to no longer have the money to buy it. It isn't going to help us very much to complain about that factor, to resent whatever they do to try to get the dollars to keep their heads above water.

c13 I don't think the solution is to ruin the American oil industry. I think we can find some other answer for it. But it is not going to be an easy one, and I hope that in the discussions of your group, you will not simply survey the impact of exports and imports on the petroleum industry; but also will relate them to the basic problem.

We are dedicated -- and when I say "we," I mean this entire country; not just the Democratic Administration. It has been completely bipartisan -- to finding a way of keeping those countries straightened out and stable. The Congress of the United States has been unanimous on that point of view.

I think the oil industry, whether it believes that is sound or not, must accept it as being a fact.

Now, how do we do it? Taking Great Britain alone, I understand the meetings a week or so ago, brought forth that some 700 million dollars a year are necessary from the British dollar till to keep them alive in petroleum. Where are they going to get the 700 million dollars?

It is no help to say what they are doing is going to hurt our industry. We must find the solution from their point of view that will have the minimum impact on this industry and our other industries that make up the American economy.

Now, if there is any criticism of ECA, I think it lies in the direction that perhaps it is going to take a longer pull than what they are now set up to do. I, frankly, feel that the solution will lie in developing the great sources of things we need in this country, and which can be supplied from countries that are short of dollars.

Just to name two of them that will be important not only in our security, but I think also in our peacetime economy, manganese and uranium. There are tremendous quantities available in countries that need dollars; and I am sure that long-term arrangements would help greatly in adjusting their dollar picture. Not only in their economy at home, but by opening up, in other countries an area of opportunity,

so these people can get out of those countries that are starving to death economically, and accept new opportunities and find a new way of making a livelihood.

I hope in the work of this committee that you keep that over-all problem constantly in mind; that an answer for petroleum, regardless of how good it sounds, if it isn't an answer which fits in with the total picture of restoration of a stable economy among the nations in the world that we need on our team, isn't a very good answer.

I was encouraged in the discussion here this morning in that it seems evident to me you gentlemen are thinking beyond the scope of your own problems; and realize that if you are going to minimize the impact on petroleum, it must come through some constructive ideas for meeting the basic problem.

I hope when that report is ready, we can devote enough time to it so that a specific series of suggestions will come up that will be helpful to ECA and to the State Department in adjusting their programs in whatever direction we think would be more profitable for our entire economy.

That is really the essence of getting the brain power of this industry together, getting out something from it for the common good.

I am afraid that any other position couldn't be maintained; won't do any good; and will end us up in a very gloomy future for petroleum.

In short, I think there is an answer other than cutting down on our development here, and abroad that fits in with the best interest of all countries that are involved in this picture. If you fellows can't find it, I don't know where we will find a group of men who can.

Walter Levy has mentioned the difficulties of EOA. He was over there, and he should know. But they have never had the brain power of this group to draw on in this area in this way, and I think they would be delighted to have the specific ideas of you men who know these problems, and who will take a point of view that is related not only to making your picture as best you can make it on your balance sheet and profit statement, but also an answer that will fit in with the over-all objectives of our country during these difficult times.

I assure you that we want to help in every way; and I look forward to that report. I think it will be one of the great accomplishments of this Council, Walter.

Thank you very much.

(Applause)

MR. JONES: Mr. Chairman, I would like to observe, it seems to me that the Secretary did pretty well as an amateur economist; and I am glad to have offered him the excuse to make the talk.

CHAIRMAN HALLANAN: Mr. Fentress, do you have anything

to say at this time?

MR. FENTRESS: I would like to make a few remarks, sir.

CHAIRMAN HALLANAN: Mr. Carroll Fentress, the Acting Director of the Oil and Gas Division.

MR. FENTRESS: At one of the meetings sometime ago, we informed you gentlemen of the Budget request of the Oil and Gas Division.

c14 I am happy to inform you now that the Congress has passed and the President has signed an Interior appropriation which results in \$347,500 for the Oil and Gas Division. Of that, \$175,000 will be for enforcement of the Connally-Hunt Act, the same figure as last year; \$172,500 for Washington office activities, which is an increase of \$22,500 over last year's appropriation.

You gentlemen have heard from several speakers of the many problems facing Government in oil. With this increased appropriation, we will be able to hire approximately three top-notch men. We are in the middle of a good many of those problems, and we will need your help in securing the right kind of man, who has a broad background not only in oil, but in appreciation of other factors, for those jobs.

The Secretary, I assure you has, wherever possible, come before the Council and presented problems and given you the opportunity to study and report on those problems. Once in a while, a problem comes up which we cannot get before

the Council because of the time element involved. I can also assure you that in each of those instances, I have taken the obligation upon myself to consult with members of the Council, and anyone else within the industry who I think can be of assistance to Government in those problems.

We do not consider that we know all the answers, by any means.

This foreign oil problem is an example. We realize only too well we do not know all the answers; and I have talked with everyone I have had the opportunity to talk with, to get the slant on the problem as to what we can do, what the industry can do, what the Government should do. We are still in the middle of that problem; and I would still welcome speaking with any one of you gentlemen at any time, and would certainly welcome any suggestions towards reasonable solution.

I want to thank you for your excellent attendance today, and I want to mention to the Secretary the extensive meetings Sunday and yesterday on the import question. I had the opportunity of attending those, and I assure you, sir, they are going into a most thorough study; and the Council is to be commended on their work on those problems.

Thank you, gentlemen.

(Applause)

MR. BROWN: Mr. Chairman, I think in view of what you

have said, and in view of what the Secretary has said, I should say -- perhaps because I have been somewhat vocal in some of the problems before the Council -- I am very greatly encouraged by the attitude of the committee on the import problem. It really is an aggravating problem; and it isn't easy of solution.

I remember now quite well the patience and foresight that Mr. Jacobsen used in working out a national oil policy, bringing us all together. I think he set a pattern there that this industry might very well consider in its future deliberations.

For my part, and for those for whom I speak, I know of no one that isn't desirous of settling this problem right here where it belongs. The only thing that I ask in our procedure, naturally, is, some of our folks have felt that the economic structure is such that some larger ones step on them sometimes, and are not entirely conscious of when they are standing on their feelings or feet, and the only way we have of calling their attention to that is through using that other element, the voice.

I know no one expects to reduce that voice as long as the pressure is on his corn. At the same time, I know of no one who isn't conscious of the seriousness of this, and how important it is to arrive at the right answer. I think if we continue to follow the pattern the Council has already set

for us, and the national oil policy, we can expect no trouble. I know it will be helpful to the industry as a whole, and I know it will be satisfactory to our people.

CHAIRMAN HALLANAN: Are there any other remarks, gentlemen?

MR. DUKE: Mr. Chairman, it is in that same spirit of friendliness that I say this, because the remarks are directed mainly to you.

I have read of the speeches that you make at various places, all very well thought out; and I sometimes wonder if it is made sufficiently clear that you are speaking not for the Council, but for Walter Hallanan as an individual. I say that only for one reason, sir. I have some friends who are on, shall I say, the opposite side of the fence from your personal views; and you are entitled to them. They confuse the fact that Walter Hallanan, the Chairman of the National Petroleum Council, has said so and so as being the Council's views. I take care to tell them, in so far as I know, that is Walter's view. It may or may not represent the Council's view.

I had that trouble as chairman of a jobbers' group, of making it clear to the reporters that they not confuse what I was saying as my own thoughts as those of the organization.

I would like to ask, and I know you will, in fairness, make that very clear every time you get a chance.

CHAIRMAN HALLANAN: Those are always expressions of my personal views, Mr. Duke.

MR. DUKE: Yes, sir.

CHAIRMAN HALLANAN: Gentlemen, as Chairman of the Committee on Personnel for Government agencies, I desire to report to the Council that we have been making some progress in some very difficult and trying situations. I had hoped today that we might be able to make a report that would carry certain definite statements with it, with respect to positions which have been opened, and where there has been a desire to have recommendations from the Council for specially-equipped persons familiar with the oil industry to fill those positions.

The committee had a session yesterday afternoon, and we had a number of names before us for recommendation. I may say that it seemed to be the consensus of the Committee that the names suggested filled the bill.

We are hopeful, within the next few days, we can report further progress; and we are anxious that these positions, where the industry has been asked to make recommendations, be filled with men who have the capacity and the ability and the experience to perform a good job for the Government in these positions related to problems of the petroleum industry, petroleum problems.

That finishes the agenda for this meeting.

Mr. Majewski?

MR. MAJEWSKI: I am very poor at reading, but I have to do this because I am doing it on behalf of a small group of braintrusters who are worn out this morning.

"Natural gas is obviously coming into maturity in the post-war period. Evidence of this can be seen in tremendous planned and approved growth and pipeline movement of gas from the remote Southwest fields to the centers of population and industry in the North and East. Appraisal of the inter-relationships between the expanding use of natural gas and the domestic production, refining and marketing of crude oil, and its products, with particular reference to light and residual fuel oils is, therefore, desirable, and will be of real value to the Secretary of the Interior, the Oil and Gas Division and the petroleum industry.

"In view of the many uncertainties surrounding the future outlook for fuel oils and the domestic oil industry, the domestic economy, and the national security, I recommend, through the proper procedure. . . " and I leave that to you --

". . . the appointment of a committee to study the problem factually and to report its findings and conclusions to the Council."

Now, briefly, the growth of natural gas has come up --

it is that silent automatic fuel -- and it has come up on this industry so silently and so quickly and I am afraid that neither the Government, nor the industry appreciates its full effect on the domestic oil industry, the domestic economy and the national security; and I think it is of the utmost importance, Walter, that you, through whatever is the proper procedure, see that a committee is appointed to study the subject, and report the facts to this Council; so we may be fully informed as to its potency.

CHAIRMAN HALLAHAN: Mr. Majewski, under our articles of incorporation, if you will submit the suggestion in writing, it will be passed along to the Secretary of the Interior for their recommendation; and, in turn, submit it to the Chairman of the Council for the appointment of a committee.

In other words, that is the procedure that will be necessary to follow under our Articles of Incorporation.

So, if you will submit it in writing to me, I will be glad to pass the suggestion along to the Director of the Oil and Gas Division, and the Secretary of the Interior, with the suggestion that they make their recommendation to us.

MR. MAJEWSKI: I shall be glad to.

MR. WILSON: I suggest that it will be very useful to the oil industry in forward planning.

CHAIRMAN HALLAHAN: That is the only way it can be done.

MR. WILSON: I understand that.

MR. JACOBSEN: What is it you are after? The general impact of the development of the gas industry on oil?

MR. MAJEWSKI: Yes, that is it exactly; but I avoided the use of the word "impact." I found, a long time ago, every time ago, every time I use the word "impact" it was like an impacted tooth; I got impacted.

MR. RUSSELL BROWN: Mr. Chairman, one other subject. I am not quite sure whether there is anything we want to do about it, but I do feel I should mention it. There is a growing development of the nation's tax problem on the part of the Government officials. They are collecting a lot of information on tax movements. Much of that information is being gathered, and is now being gathered from the oil industry. It is in process out through the field, and in various places. It is based on the assumption that the structure of the oil industry, the tax structure, is to have a review of the coming session of Congress.

I do not know if there is anything that we can do in advance, but I didn't want to have it slip up on you unawares. Maybe there is something the industry should do in the way of studying the over-all tax structure, so we will know what our position is. I am not sure. I am not trying to give you an answer; I am trying to raise a problem.

CHAIRMAN HALLANAN: You have heard Mr. Brown's remarks, gentlemen. Is there any discussion in relation to it?

MR. JACOBSEN: No, except that he is entirely right.

CHAIRMAN HALLANAN: I would think that the Mid-Continent Oil and Gas Association, and Independent Petroleum Association could become very active in that field.

MR. RUSSELL BROWN: One of them is.

MR. FENTRESS: Mr. Chairman, I would like to say that I appreciate Mr. Majewski and Mr. Brown raising these questions. As you know, in the articles of organization, you have the right, and as far as I am concerned, the appreciation of the Department, if you will submit any requests which you feel appropriate for study of the Council. I welcome Mr. Majewski's and Mr. Brown's suggestions.

CHAIRMAN HALLANAN: Is there any further business, gentlemen?

MR. FENTRESS: As you gentlemen probably know, this is the last meeting of what we might call the 1949 National Petroleum Council. You were all appointed for membership for a period of one year. The new Council will convene in January. I do want to compliment this Council on the tremendous amount of work that it has done; and the great assistance that it has been to Government in its problems. Not only from the standpoint of reports; but from the advice freely given by each of you whenever we have called upon you for such advice.

I wish to thank you gentlemen for all the efforts that

you have expended; and they have been very tremendous.

CHAIRMAN HALLANAN: Thank you.

(Whereupon, motion was duly made, seconded,
and carried that the hearing adjourn.)

CHAIRMAN HALLANAN: It is so ordered.

(Whereupon, at 12:30 p.m., the meeting was adjourned.)